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GILCHRIST VENDING LIMITED AND SUBSIDIARIES



CONSOLIDATED FINANCIAL STATEMENTS *for the year ended June 30, 1966*

1966





## GILCHRIST VENDING LIMITED

### **HEAD OFFICE:**

Toronto, Ontario

### **DIRECTORS:**

N. M. Seeburg Jr., *Chicago*

E. J. Gauvreau, *Toronto*

M. A. Cardinal, *Montreal*

W. W. Evans, *Toronto*

C. M. Lauritzen II, *Chicago*

### **OFFICERS:**

N. M. Seeburg Jr., *Chairman of the Board*

E. J. Gauvreau, *President*

M. A. Cardinal, *Executive Vice-President*

J. R. Walker, *Vice-President*

T. E. Martin, *Vice-President*

B. W. Shields, *Secretary*

C. M. Lauritzen II, *Assistant Secretary*

### **REGISTRAR AND TRANSFER AGENT:**

Eastern & Chartered Trust Company, *Toronto*

### **AUDITORS:**

Johnson, Stewart, Bourne & Co.

### **SOLICITORS:**

Tory, Tory, DesLauriers & Binnington

### **OFFICES:**

Montreal

Toronto

Winnipeg

Edmonton

Vancouver



This prospectus is not, and under no circumstances is it to be construed as, a public offering of these shares for sale in the United States of America, or in the territories or possessions thereof.

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100,000 SHARES

without par value

MAR 29 1962

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## GILCHRIST VENDING LIMITED

(Incorporated under the laws of the Province of Ontario)

Transfer Agent and Registrar  
Chartered Trust Company  
Toronto, Ontario

R. J. Opekar Limited  
44 King Street West  
Toronto, Ontario

We, through registered security dealers, offer these 100,000 shares as principal (if, as and when issued by Gilchrist Vending Limited and accepted by us) and subject to the approval of all legal matters by Messrs. Robertson, Lane, Perrett, Frankish & Estey, Toronto, Ontario, on behalf of the Company and by Messrs. Tory, Arnold, DesLauriers & Binnington, Toronto, Ontario, on our behalf.

**PRICE: \$5.85 per share**

**The shares offered by this prospectus are Speculative Securities**

Subscriptions for the said shares will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.



Mr. R. C. Gilchrist, Sr., Chairman of the Board, has supplied the following information regarding the business and affairs of Gilchrist Vending Limited.

### **The Company**

Gilchrist Vending Limited (hereinafter called the "Company") was incorporated in 1947 under the name Baldwin Distributing Company Limited to acquire the assets of A.M.I. Distributing Company Limited and to carry on the business of selling and distributing coin-operated music machines in Ontario. The Company was acquired by R. C. Gilchrist, Sr. in 1951 when its name was changed to R. C. Gilchrist Limited and since that time its operations have been continually expanded. In 1953 one of the Company's subsidiaries opened an office in Montreal. In 1958 another office was opened in Vancouver operated by two companies which are controlled by R. C. Gilchrist, Sr. and R. C. Gilchrist, Jr. The Company has received options from R. C. Gilchrist, Sr. and R. C. Gilchrist, Jr. to purchase all the shares owned by them, comprising all the issued and outstanding voting preference shares and 69% of the issued and outstanding common shares of the Vancouver companies, for the sum of \$1 exercisable prior to February 28, 1967. Today the Company and its subsidiaries (treating the Vancouver companies as such) employ some 70 salesmen, servicemen and office personnel and their operations are nation-wide. Thus the Company can provide on-the-spot servicing of the equipment it sells at any point in Canada.

With the acquisition of the Rowe AMI franchise referred to below the scope of the Company's business has been enormously widened and now consists of the sale and servicing of a complete line of automatic vending equipment and both coin and non coin-operated music equipment. As well as acting as a distributor, the Company and its subsidiaries own and operate approximately 150 cigarette machines located in shopping centres, factories, bowling alleys and office buildings in addition to approximately 800 coin and non coin-operated music machines located throughout Canada.

### **Rowe AMI Franchise**

From its incorporation in 1947 until May, 1961 the Company acted as the Canadian distributor for Seeburg Music Systems in the field of coin and non coin-operated music machines. However, commencing in 1959 it became evident to the Company that the market for coin-operated music machines in Canada was approaching the point of saturation and that the Company's activities would have to be broadened. In January 1962 the Company was successful in obtaining from AC Automatic Services, Inc. (a wholly-owned subsidiary of Automatic Canteen Company of America) franchise agreements in which the Company was granted the exclusive right for three years to act as distributor of Rowe AMI equipment to all persons in Canada other than Automatic Canteen Company of Canada Limited, which is a subsidiary of Automatic Canteen Company of America and which operates rather than distributes Rowe AMI equipment. The agreements contain a performance quota of \$2,000,000.00 per annum which, in the Company's opinion, is well below the sales level of \$3,000,000 which it anticipates achieving in 1962. The average level of sales in recent years has been approximately \$1,500,000.

It should be noted that the usual distributor franchise agreement is cancellable on thirty days' notice. The Company, which operated as the Seeburg distributor in Canada for almost 15 years, never had more than a thirty day cancellable franchise agreement. The Company feels that a three year franchise agreement reflects the confidence of AC Automatic Services, Inc. in the Company's ability to distribute the Rowe AMI lines in Canada. The Company is confident of obtaining franchise renewals at the expiration of these contracts. The Rowe AMI franchises have been valued by Mr. George Ovens, of the firm of Elder, Donaldson & Crofts, at \$100,000. The fact that the franchises were granted to the Company gratuitously is, in the Company's opinion, a further indication of the confidence of AC Automatic Services, Inc. in the Company's ability to market the Rowe AMI line vigorously and profitably.

Rowe AMI equipment, formerly manufactured exclusively in the U.S.A. and imported into Canada, is now being manufactured in part by A. V. Roe Canada Limited at its plant at Malton, Ontario under a licensing agreement with Automatic Canteen Company of America, which controls the Rowe AMI franchise. The Company anticipates substantial savings in duty, freight, brokerage commissions, etc. under this new agreement. Automatic Canteen Company of America is the leading company in the automatic vending industry in the U.S.A. and the Company expects to receive the benefit of any technological advances in the design and manufacture of the Rowe AMI equipment.

The Rowe AMI equipment consists of both automatic vending equipment and coin-operated music machines. The automatic vending equipment line will include the following:

1. Fresh Brew Coffee Merchandiser (single) with 750 cup capacity which can handle whipped hot chocolate, soup or tea, liquid or dry cream.
2. Fresh Brew Coffee Merchandiser (batch) with 750 cup capacity which vends coffee, whipped hot chocolate, tea or soup.
3. Hot Food Merchandiser with 160 can capacity and 120 can reserve with preheat storage.
4. Candy Merchandiser — 8 bar columns, 3 gum/mint columns.
5. Pastry Merchandiser — 5 columns, 75 piece capacity.
6. Cold Beverage Merchandiser — 4-6 selections, up to 1,000 cups; optional crushed ice button.
7. Cigarette Merchandiser — 16 columns — 675 packages of Canadian cigarettes.
8. Tasty Twenty Merchandiser which vends candy and confections — 20 columns, approximately 570 varied items.
9. All Purpose Merchandiser with 130 item capacity — the most versatile of all vending machines. Models are available heated/refrigerated or normal. Heated/refrigerated units can be switched from heated to refrigerated simply by pushing a button.

The coin-operated music equipment will consist of coin-operated record machines available in either monaural or stereophonic models and either 100 or 200 record selection models.



The Company will also offer for sale or rent background music systems which offer a choice of three music libraries comprising either "basic", "mood" or "industrial" background music.

The Company is also the only company in Canada to offer for rent a Dollar Bill Changer which has already proved successful in banks and savings and loan associations in the U.S.A. as well as in association with other automatic vending equipment.

### **The Vending Industry**

The trend towards automation in business and in industry in North America is increasing year by year and this is particularly evident in the area of retail sales. The demand for vending equipment, with its convenience, efficient use of space, reduced wage costs and ease of service and control, has increased greatly in recent years due to the growth of "in-plant" feeding and the construction of large numbers of bowling alleys, curling rinks and similar establishments. Only 15 years ago vending machines were mainly limited to sales of cigarettes, candies and cold drinks. In 1947, however, the scope of the industry was greatly enlarged with the introduction of the first hot coffee machines produced in the U.S.A. Since that time, the total dollar volume of merchandise vended in that country has more than doubled. Machines are now available to provide a full line of merchandise for the consumer, including hot foods, soups, sandwiches, pastries, nuts, ice cream, ladies' lingerie and stockings, ball-point pens and many other products.

In the Company's opinion, the most rapid growth in the vending industry will be achieved in what is known as "full-line" vending, that is to say, in automatic cafeterias and other substantial automatic vending installations which offer the consumer a wide variety of products. To participate in the "full line" vending business a distributor must offer a complete line of equipment that will, in fact, perform many different operations. The Company is the leader in this field in Canada and as far as is known is the only company in Canada that offers a full line of automatic vending equipment of uniform manufacture, size and style. In view of this, and the fact that the Company is already well established in both the coin and non coin-operated music systems fields, the Company looks forward with confidence to the expansion of its operations in the vending and music systems industry.

### **Management**

Mr. R. C. Gilchrist, Sr., the Chairman of the Board, has been actively engaged in the distribution and sale of automatic vending and music equipment for approximately 25 years. As early as 1939 he had established a profitable vending route between Toronto and Owen Sound. With the out-break of war he was obliged to dispose of this route and at that time became associated with A.M.I. Distributing Company Limited. In 1951 Mr. Gilchrist acquired the Company from its former owners and since then has guided the Company and its subsidiaries through their various stages of development.

Mr. E. J. Gauvreau, the President and Treasurer of the Company, has also been actively engaged in the distribution and sale of vending equipment and music systems for approximately 25 years and is experienced in the areas of accounting and finance.

Mr. Maurice A. Cardinal, the Vice-President of the Company, has been in charge of the operations of the Company's subsidiaries in the Province of Quebec for 6 years.

### **Purpose of Issue**

The net proceeds to be derived by the Company from the sale of the 100,000 shares described in this prospectus will be used for additional working capital required by the expanding business of the Company and for general corporate purposes.



**GILCHRIST VENDING LIMITED**  
**formerly R. C. Gilchrist Limited**  
(Incorporated under the laws of the Province of Ontario)  
**Balance Sheet as at December 31, 1961**

ASSETS

CURRENT ASSETS

Cash on Hand and in Bank.....		\$ 47,179.66	
Accounts Receivable.....	\$201,627.01		
LESS: Allowance for Doubtful Accounts.....	25,655.00		
		175,972.01	
Inventories valued at the lower of cost or market ..		157,151.77	
Inventories in Bond, valued at cost, excluding duty and sales tax.....		22,760.10	
Loans and Notes Receivable.....	\$ 13,620.96		
LESS: Allowance for Doubtful Accounts.....	8,779.00		
		4,841.96	
Prepaid Expenses and Advances.....		1,340.33	
Life Insurance Cash Surrender Value.....		5,200.00	
Corporation Income Taxes Recoverable.....		786.41	
			\$415,232.24

ACCOUNTS RECEIVABLE FROM ASSOCIATED COMPANIES

R. C. Gilchrist (Vancouver) Limited, less allowance for possible loss of \$142,000.00.....		\$139,933.87	
Gilchrist Music Systems Limited.....		147,543.16	
R. C. Gilchrist Co. Limited (formerly Gilchrist Vending Machines Limited).....		13,110.88	
			300,587.91

FIXED ASSETS — at cost

Furniture and Equipment.....	\$ 17,224.47		
LESS: Accumulated Depreciation.....	10,258.90		
		\$ 6,965.57	
Automobiles and Trucks.....	\$ 19,863.38		
LESS: Accumulated Depreciation.....	12,457.51		
		7,405.87	
Leasehold Improvements.....	\$ 26,758.82		
LESS: Amortization.....	17,180.55		
		9,578.27	
			23,949.71
			<u>\$739,769.86</u>

LIABILITIES

CURRENT LIABILITIES

Bank Loan — Secured.....	\$150,000.00		
Accounts Payable and Accruals.....	368,898.60		
Due to Directors.....	7,476.51		
			\$526,375.11

DUE TO R. C. GILCHRIST (QUEBEC) LIMITED.....			30,362.77
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CAPITAL AND SURPLUS

CAPITAL STOCK

Authorized			
30,000 5% non-cumulative, redeemable preference shares, par value \$1.00 each.....	\$ 30,000.00		
10,000 common shares, par value \$1.00 each.....	10,000.00		
	\$ 40,000.00		
Issued			
1,000 common shares.....	\$ 1,000.00		
SURPLUS.....	182,031.98		
			183,031.98
			<u>\$739,769.86</u>

APPROVED ON BEHALF OF THE BOARD:

(Signed) R. C. GILCHRIST, Director

(Signed) E. J. GAUVREAU, Director

NOTE 1: The Company is contingently liable on customers' notes discounted in the amount of approximately \$700,000.00 against which the finance companies are holding back approximately \$44,000.00 in finance participations to allow for possible losses. The Company is also contingently liable on customers' notes of R. C. Gilchrist (Vancouver) Limited and Gilchrist Music Systems (Vancouver) Limited discounted in the amount of \$868,500 against which the finance companies are holding back approximately \$14,400 in finance participations to allow for possible losses. The Company has received options from R. G. Gilchrist, Sr. and R. C. Gilchrist, Jr. to purchase all the issued and outstanding preference shares and 69% of the issued and outstanding common shares of R. C. Gilchrist (Vancouver) Limited and Gilchrist Music Systems (Vancouver) Limited for the sum of \$1 exercisable prior to February 28, 1967.

To the Directors,  
GILCHRIST VENDING LIMITED:

We have examined the balance sheet of Gilchrist Vending Limited, formerly R. C. Gilchrist Limited, as at December 31, 1961. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the above balance sheet presents fairly the financial position of the company as at December 31, 1961, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada.  
March 29, 1962.

(Signed) JOHNSON, STEWART, BOURNE & Co.,  
Chartered Accountants



**GILCHRIST VENDING LIMITED**  
formerly R. C. Gilchrist Limited

**Statement of Earnings for Years Ended December 31, 1952 to 1961 Inclusive**

	<u>1961</u>	<u>1960</u>	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>
EARNINGS (LOSSES) BEFORE DEPRECIATION AND INCOME TAXES.....	(\$60,275.39)	(\$5,344.12)	\$2,792.18	\$23,406.42	\$25,382.03	\$130,564.36	\$41,753.50	\$106,027.57	\$107,488.54	\$74,138.03
Depreciation.....	10,267.10	4,534.21 <sup>(2)</sup>	9,442.80	8,797.89	10,202.13	9,529.68	6,190.76	4,660.29	6,190.76	3,268.46
EARNINGS (LOSSES) BEFORE INCOME TAXES.	(\$70,542.49)	(\$9,878.33)	(\$6,650.62)	\$14,608.53	\$15,179.90	\$121,034.68	\$35,562.74	\$101,367.28	\$101,297.78	\$70,869.57
Non-recurring profit <sup>(1)</sup>	43,281.47	—	—	3,173.98	3,339.58	51,486.30	10,724.07	45,939.26	43,944.71	33,852.18
Income Taxes.....	—	—	(\$1,396.81) <sup>(3)</sup>	—	—	—	—	—	—	—
NET EARNINGS (LOSSES).....	<u>(\$27,261.02)</u>	<u>(\$9,878.33)</u>	<u>(\$5,253.81)</u>	<u>\$11,434.55</u>	<u>\$11,840.32</u>	<u>\$ 69,548.38</u>	<u>\$24,838.67</u>	<u>\$ 55,428.02</u>	<u>\$ 57,353.07</u>	<u>\$37,017.39</u>

Note 1: The non-recurring profit results from the settlement of an account owing to a creditor.

Note 2: Depreciation has been charged on a consistent basis except for the year 1960 when depreciation was taken on automotive equipment only. If depreciation had been charged on a consistent basis for this year, it would have amounted to \$11,479.85.

Note 3: Corporation income taxes recovered in the year 1959 are the result of applying the loss for the year against the prior year's profit.

**Auditors' Report**

To the Directors,  
GILCHRIST VENDING LIMITED:

We have examined the above statement of earnings of Gilchrist Vending Limited, formerly R. C. Gilchrist Limited, for the ten years ended December 31, 1961. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above statement, when read in conjunction with the footnotes thereto, presents fairly the earnings of the Company for the ten years ended December 31, 1961, in accordance with generally accepted accounting principles applied on a consistent basis throughout the period.

Toronto, Canada,  
March 29, 1962.

(Signed) JOHNSON, STEWART, BOURNE & Co.,  
Chartered Accountants.



**GILCHRIST VENDING LIMITED**  
**formerly R. C. Gilchrist Limited, and its Subsidiaries**

**Pro Forma Consolidated Balance Sheet as at December 31, 1961**

The pro forma consolidated balance sheet as at December 31, 1961, gives effect to the following:

1. The cancellation of the 30,000 preference shares presently authorized.
2. The conversion of 1,000 issued common shares, par value \$1.00 each, into 50,000 common shares without par value.
3. The conversion of 9,000 unissued common shares, par value \$1.00 each, into 450,000 common shares without par value.
4. The acquisition of all the issued and outstanding shares of Gilchrist Music Systems Limited, R. C. Gilchrist Co. Limited (formerly Gilchrist Vending Machines Limited), R. C. Gilchrist (Quebec) Limited, Gilchrist Music Systems (Quebec) Limited and Gilchrist Vending (Quebec) Limited for 50,000 shares issued for an aggregate consideration of \$143,826.81.
5. The issuance and sale of 100,000 shares to R. J. Opekar Limited for a cash consideration of \$510,000.00.
6. The payment of \$39,250.12 to the Bank of Montreal in settlement of a claim against R. C. Gilchrist Limited as guarantor of a bank loan to R. C. Gilchrist (Vancouver) Limited.
7. The payment of organization and financing expenses estimated at \$10,000.00.
8. The valuation of franchise agreements with A C Automatic Services Inc. at \$100,000.

**ASSETS**

**CURRENT**

Cash on Hand and in Banks.....		\$450,877.69	
Accounts Receivable.....	\$393,945.32		
LESS: Allowance for Doubtful Accounts.....	37,321.00		
		356,624.32	
Loans and Notes Receivable.....	\$ 13,620.96		
LESS: Allowance for Doubtful Accounts.....	8,779.00		
		4,841.96	
Inventories, valued at the lower of cost or market.....		344,524.98	
Prepaid Expenses and Advances.....		5,364.41	
Life Insurance Cash Surrender Value.....		5,200.00	
			\$1,167,433.36

**DUE FROM R. C. GILCHRIST (VANCOUVER) LIMITED**

Advances.....	\$321,183.99		
LESS: Allowance for possible loss.....	142,000.00		
			179,183.99

**FIXED ASSETS AT COST**

Furniture and Equipment.....	\$ 30,500.19		
Automobiles and Trucks.....	28,664.38		
Equipment on Location.....	586,844.39		
	\$646,008.96		
LESS: Accumulated Depreciation.....	235,570.44		
		410,438.52	
Leasehold Improvements.....	\$ 51,666.36		
LESS: Amount Written Off.....	25,346.31		
		26,320.05	

FRANCHISE, at appraised valuation (Notes 1 and 3).....		100,000.00	
ORGANIZATION AND FINANCING EXPENSES.....		10,564.40	

\$1,893,940.32



**GILCHRIST VENDING LIMITED**  
formerly R. C. Gilchrist Limited,  
and its Subsidiaries

**LIABILITIES**

**CURRENT**

Bank Loan, Secured.....	\$150,000.00	
Accounts Payable and Accruals.....	568,398.95	
Due to Directors.....	7,476.51	
Finance Contracts, amount due within one year.....	137,372.64	
Corporation Income Taxes Payable — Net.....	3,004.24	
	<u>          </u>	\$ 866,252.34

**DEFERRED**

Finance Contracts Payable.....	\$228,201.83	
LESS: Amount due within one year, included in Current Liabilities	137,372.64	
	<u>          </u>	90,829.19

**CAPITAL AND SURPLUS**

**CAPITAL STOCK**

Authorized

500,000 common shares without par value

Issued

200,000 common shares..... \$654,826.81

**EARNED SURPLUS**..... 182,031.98

**SURPLUS arising from the valuation of franchise (Notes 1 and 3)**..... 100,000.00

936,858.79

\$1,893,940.32

APPROVED ON BEHALF OF THE BOARD:

(Signed) R. C. GILCHRIST, Director

(Signed) E. J. GAUVREAU, Director

NOTE 1: The franchise agreements with AC Automatic Services, Inc. have been valued as at February 5, 1962 by Mr. George Ovens, of Elder, Donaldson & Crofts, 55 Yonge Street, Toronto.

NOTE 2: The Company is contingently liable on customers' notes discounted in the amount of \$1,300,000.00 against which the finance companies are holding back approximately \$65,500.00 in finance participations to allow for possible losses. The Company is also contingently liable on customers' notes of R. C. Gilchrist (Vancouver) Limited and Gilchrist Music Systems (Vancouver) Limited discounted in the amount of \$868,500 against which the finance companies are holding back approximately \$14,400 in finance participations to allow for possible losses. The Company has received options from R. G. Gilchrist, Sr. and R. C. Gilchrist, Jr. to purchase all the issued and outstanding preference shares and 69% of the issued and outstanding common shares of R. C. Gilchrist (Vancouver) Limited and Gilchrist Music Systems (Vancouver) Limited for the sum of \$1 exercisable prior to February 28, 1967.

NOTE 3: The franchise agreement with AC Automatic Services, Inc. with respect to the purchase of cigarette machines, drink machines and food vending machines contains a sales quota of \$1,750,000 per annum. The franchise agreement with AC Automatic Services, Inc. with respect to the purchase of new coin-operated music machines contains a sales quota of \$250,000. Each agreement provides that, subject to certain relieving provisions, if the Company fails to maintain the sales quota in any year, the agreement may be terminated.

NOTE 4: An option has been granted to the Underwriter to purchase an additional 25,000 shares at \$5.70 per share and a further option has been granted to certain officers of the Company to purchase 25,000 shares at \$5.70 per share.

**Auditors' Report**

To the Directors,  
GILCHRIST VENDING LIMITED:

We have examined the pro forma consolidated balance sheet of Gilchrist Vending Limited, formerly R. C. Gilchrist Limited, and its wholly-owned subsidiary companies as at December 31, 1961. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying pro forma consolidated balance sheet presents fairly the consolidated financial position of the companies as at December 31, 1961 after giving effect to the adjustments set out in the head notes thereto and when read in conjunction with the footnotes thereto.

Toronto, Canada.  
March 29, 1962.

(Signed) JOHNSON, STEWART, BOURNE & Co.,  
Chartered Accountants.



**GILCHRIST VENDING LIMITED**  
formerly R. C. Gilchrist Limited and its Subsidiaries (Note 1)

**Pro Forma Statement of Combined Earnings for the Ten Years Ended December 31, 1961**

	<u>1961</u>	<u>1960</u>	<u>1959</u>	<u>1958</u>	<u>1957</u>	<u>1956</u>	<u>1955</u>	<u>1954</u>	<u>1953</u>	<u>1952</u>
COMBINED EARNINGS BEFORE DEPRECIATION AND INCOME TAXES.....	\$1,664.52	\$14,908.62	\$97,235.12	\$117,478.54	\$96,578.07	\$192,563.38	\$71,876.57	\$146,969.92	\$136,181.73	\$75,161.46
Depreciation.....	66,691.42	42,602.90 <sup>(3)</sup>	59,325.70	62,441.32	36,611.01	11,922.35	8,666.42	6,535.77	6,371.84	3,268.46
COMBINED EARNINGS BEFORE INCOME TAXES (LOSSES).....	(\$65,026.90)	(\$27,694.28)	\$37,909.42	\$ 55,037.22	\$59,967.06	\$180,641.03	\$63,210.15	\$140,434.15	\$129,809.89	\$71,893.00
Non-recurring profit <sup>(2)</sup> .....	43,281.47									
Income Taxes.....	6,990.03	1,514.54	8,852.83	12,096.82	14,859.78	76,166.08	15,862.89	65,472.69	57,915.64	34,404.83
COMBINED NET EARNINGS (LOSSES).....	<u>(\$28,735.46)</u>	<u>(\$29,208.82)</u>	<u>\$29,056.59</u>	<u>\$ 42,940.40</u>	<u>\$45,107.28</u>	<u>\$104,474.95</u>	<u>\$47,347.26</u>	<u>\$ 74,961.46</u>	<u>\$ 71,894.25</u>	<u>\$37,488.17</u>

NOTE 1: Effective January 1, 1962, Gilchrist Vending Limited acquired all of the outstanding shares of R. C. Gilchrist Co. Limited (formerly Gilchrist Vending Machines Limited) incorporated June 5, 1958, Gilchrist Music Systems Limited, incorporated December 28, 1956, R. C. Gilchrist (Quebec) Limited, incorporated November 21, 1952, Gilchrist Music Systems (Quebec) Limited incorporated March 5, 1957 and Gilchrist Vending (Quebec) Limited incorporated June 29, 1959. The earnings of Gilchrist Vending Limited and its subsidiaries are included in the above pro forma statement of combined earnings from the date of incorporation of each subsidiary to December 31, 1961.

NOTE 2: Non-recurring profit resulted from the settlement of an account owing to a creditor.

NOTE 3: Depreciation has been charged on a consistent basis except for the year 1960. If depreciation for this year had been charged on the same basis as other years it would have amounted to \$56,059.00.

NOTE 4: Tax reductions resulting from the application of losses of other years have been credited to the years in which the losses occurred.

NOTE 5: Several of the company's subsidiaries end their fiscal years on June 30 and in the above statement one-half of the earnings in each fiscal year have been treated as earned in the previous calendar year.

**Auditors' Report**

To the Directors,  
GILCHRIST VENDING LIMITED

We have examined the above pro forma statement of combined earnings of Gilchrist Vending Limited, formerly R. C. Gilchrist Limited, and its subsidiaries for the ten years ended December 31, 1961. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion, the above pro forma statement of earnings, when read in conjunction with the footnotes thereto, presents fairly the combined earnings of the Company and its subsidiaries for the ten years ended December 31, 1961, in accordance with generally accepted accounting principles, applied in all material respects on a consistent basis throughout the period.

Toronto, Canada,  
March 29, 1962.

(Signed) JOHNSON, STEWART, BOURNE & Co.,  
Chartered Accountants.



## STATUTORY INFORMATION

(a) The full name of the Company is Gilchrist Vending Limited (hereinafter called the "Company") and the address of its head office is 33 Dundas Street West, Toronto, Ontario.

(b) The Company was incorporated under the laws of the Province of Ontario by Letters Patent dated the 19th day of December, 1947. Supplementary Letters Patent have been issued to the Company dated the 15th day of November, 1951 and the 20th day of February, 1962, respectively.

(c) The general nature of the business actually transacted by the Company is the distribution, operation and sale of automatic vending and music machines.

(d) The names in full, present occupations and home addresses in full of the directors and officers of the Company are as follows:

### Directors

REGINALD CHARLES GILCHRIST, SR.....	Executive.....	283 Glen Manor Drive, Toronto, Ontario.
EMILE JOSEPH GAUVREAU.....	Executive.....	21 Dale Avenue, Toronto, Ontario.
MAURICE ALFRED CARDINAL.....	Executive.....	2100 Decelles Boulevard, Ville St. Laurent, Quebec.
ROBERT JAN OPEKAR.....	Executive.....	39 Maple Avenue, Toronto, Ontario.
ERNEST GORDON ARNOLD, Q.C.....	Barrister.....	211 Dunvegan Road, Toronto, Ontario.

### Officers

REGINALD CHARLES GILCHRIST, SR.....	Chairman of the Board.....	283 Glen Manor Drive, Toronto, Ontario.
EMILE JOSEPH GAUVREAU.....	President and Treasurer.....	21 Dale Avenue, Toronto, Ontario.
MAURICE ALFRED CARDINAL.....	Vice-President.....	2100 Decelles Boulevard, Ville St. Laurent, Quebec.
JOHN FELIX PERRETT, Q.C.....	Secretary.....	243 Chaplin Crescent, Toronto, Ontario.

(e) The auditors of the Company are Johnson, Stewart, Bourne & Co., Chartered Accountants, 320 Bay Street, Toronto, Ontario.

(f) The registrar and transfer agent of the Company is Chartered Trust Company, 34 King Street West, Toronto, Ontario.

(g) The authorized capital of the Company consists of 500,000 shares without par value of which 100,000 shares have been issued and are now outstanding as fully paid and non-assessable.

(h) Each share in the capital of the Company is equal to every other share and all shares participate equally on liquidation or distribution of assets or dividends and enjoy full voting rights of one vote per share at all meetings of shareholders.

(i) At the present time, no bonds or debentures or other securities of the Company are outstanding or are proposed to be issued which rank or would rank ahead of or pari passu with the securities offered by this prospectus.

(j) No substantial indebtedness is to be created or assumed by the Company which is not shown in the pro forma balance sheet of the Company as at December 31, 1961, filed with the Ontario Securities Commission and forming part of this prospectus and except such indebtedness as may be incurred in the ordinary course of business.

(k) By an agreement dated January 5, 1962 made between R. C. Gilchrist, Sr., R. C. Gilchrist, Jr., E. J. Gauvreau and Maurice A. Cardinal (herein called the "Vendors") and R. J. Opekar Limited (herein called the "Underwriter"), the Vendors agreed to cause the Company to sell to the Underwriter and the Underwriter agreed to purchase as principal 100,000 shares in the capital of the Company at the price of \$5.10 per share. All of the said 100,000 shares to be acquired by the Underwriter as aforesaid are hereby offered to the public at the price of \$5.85 per share, the said offering to be made through registered security dealers who will be acting as agents for the Underwriter and who will be paid the usual and customary commission at the established rates of the Toronto Stock Exchange included in the price. No securities have heretofore been offered for subscription by the Company.

Reference is hereby made to paragraph (ze) hereof as to certain escrow provisions with respect to shares acquired by R. C. Gilchrist, Sr., R. C. Gilchrist, Jr., E. J. Gauvreau and Maurice A. Cardinal pursuant to the exercise of the said option or otherwise.

The persons having more than a 5% interest in the capital of R. J. Opekar Limited are set forth on page 11 hereof.

Except as aforesaid no securities of the Company are covered by options outstanding or proposed to be given by the Company.

(l) By an agreement dated March 15, 1962, the Company granted R. J. Opekar Limited the option, exercisable in whole at any time or in part from time to time, prior to March 15, 1967, to purchase 25,000 shares without par value in the capital of the Company at the price of \$5.70 per share as an investment; by an agreement dated March 15, 1962, the Company granted R. C. Gilchrist, Sr., R. C. Gilchrist, Jr., E. J. Gauvreau and Maurice A. Cardinal the option, exercisable in whole at any time or in part from time to time, prior to March 15, 1967, to purchase in the aggregate 25,000 shares without par value in the capital of the Company at the price of \$5.70 per share.

(m) The estimated proceeds to be derived from the sale by the Company of the 100,000 shares hereby offered, on the basis of the same being fully taken up and paid for, are \$510,000, less legal and auditing fees and other expenses in connection with the issue thereof, which are estimated at \$10,000.



(n) The net proceeds to be derived by the Company from the sale of the 100,000 shares hereby offered will be used for additional working capital required by the expanding business of the Company and for general corporate purposes.

(o) No minimum amount in the opinion of the directors must be raised by the issue of the 100,000 shares hereby offered to provide for any of the following matters: (i) the purchase price of any property purchased or to be purchased by the Company that is to be defrayed in whole or in part out of the proceeds of the sale of the shares offered by the Company, or (ii) any preliminary expenses payable by the Company, or (iii) any commission payable by the Company to any person in consideration of his agreeing to subscribe for or procuring or agreeing to procure subscriptions for any shares in the Company, or (iv) the repayment of any monies borrowed by the Company in respect of the foregoing matters, or (v) the repayment of bank loans.

(p) In respect of the underwriting agreement with the Underwriter reference is hereby expressly made to paragraph (k) hereof.

(q) The by-laws of the Company contain the following provisions with respect to the remuneration of directors:

"Remuneration. Subject to any agreement to the contrary, the directors shall be paid such remuneration as the board shall from time to time by resolution determine. The directors shall also be entitled to be paid their travelling and other expenses properly incurred by them in going to, attending and returning from board, committee and shareholders' meetings and any other expenses properly incurred by them in connection with the affairs of the Company or to receive such fixed allowance in respect thereof as the board may from time to time by resolution determine. The directors may by resolution award special remuneration to any director of the Company undertaking any special work or service for, or undertaking any special mission on behalf of, the Company other than routine work ordinarily required of such director. Any remuneration payable to a director who is also an officer or employee of the Company, or who is counsel or solicitor to the Company, or otherwise serves it in a professional capacity, shall be in addition to his salary as such officer or employee or to his professional fees, as the case may be. No confirmation by the shareholders of any such remuneration or payment shall be required."

(r) The aggregate remuneration paid by the Company during its last financial year ended December 31, 1961, to the directors of the Company as such was nil and the aggregate remuneration estimated to be paid or payable by the Company during its current financial year to the directors of the Company as such is nil.

The aggregate remuneration paid by the Company to the officers of the Company during its last financial year ended December 31, 1961 who as such individually received remuneration in excess of \$10,000 per annum was \$48,166 and the aggregate remuneration estimated to be paid or payable by the Company during its current financial year to officers of the Company who as such individually may be entitled to receive remuneration in excess of \$10,000 per annum is \$50,000.

(s) No amount has been paid within the two years preceding the date hereof, or is now payable, by the Company as a commission for subscribing or agreeing to subscribe or procuring or agreeing to procure subscriptions for any securities of the Company. Reference is hereby expressly made to paragraph (l) hereof for the price at which the 100,000 shares hereby offered are to be sold by the Company to the Underwriter.

(t) The Company has been carrying on business for more than one year.

(u) and (v) As of January 1, 1962 the Company acquired all the issued and outstanding shares in the capital of Gilchrist Music Systems Limited, Gilchrist Vending Machines Limited (now R. C. Gilchrist Co. Limited), R. C. Gilchrist (Quebec) Limited, Gilchrist Music Systems (Quebec) Limited and Gilchrist Vending (Quebec) Limited and acquired an option to purchase for the price of \$1.00 all the issued and outstanding preference shares and over two-thirds of the issued and outstanding common shares in the capital of R. C. Gilchrist (Vancouver) Limited and Gilchrist Music Systems (Vancouver) Limited. The purchase price of the said shares and the said option was paid and satisfied by the issue of 50,000 fully paid and non-assessable shares in the capital of the Company as follows:

	Address	Shares
REGINALD CHARLES GILCHRIST, SR.....	283 Glen Manor Drive, Toronto, Ontario.....	18,400
REGINALD CHARLES GILCHRIST, JR.....	283 Glen Manor Drive, Toronto, Ontario.....	10,000
EMILE JOSEPH GAUVREAU.....	21 Dale Avenue, Toronto, Ontario.....	16,000
MAURICE ALFRED CARDINAL.....	2100 Decelles Boulevard, Ville St. Laurent, Quebec.....	5,600
	Total	50,000

(w) Except as aforesaid, no securities of the Company have been issued or agreed to be issued within the two years preceding the date hereof as fully or partly paid up, otherwise than in cash.

(x) No obligations are offered by this prospectus.

(y) No services have been rendered or are to be rendered to the Company which are to be paid for by the Company wholly or partly out of the proceeds of the securities offered hereby other than legal, auditing and other services in connection with the issue of the Supplementary Letters Patent dated February 20th, 1962 and the issue of such securities. No services have been rendered to the Company within the two years preceding the date hereof which have been or are proposed to be paid for by securities of the Company.

(z) No amount has been paid within the two years preceding the date hereof or is intended to be paid to any promoter.

(za) No material contract has been entered into by the Company within the two years preceding the date hereof other than in the ordinary course of business carried on or intended to be carried on by the Company, except as follows:

(i) the Underwriting Agreement referred to in paragraph (k) hereof, to which reference is hereby expressly made;



(ii) agreement dated January 3, 1962 between A C Automatic Services, Inc., a Delaware corporation, and the Company in which the Company is granted the franchise right for the period of three years to act as distributor in the sale of coin-operated music machines, auxiliary equipment and accessories therefor to all persons in Canada other than companies affiliated with Automatic Canteen Company of Canada Limited. The said agreement contains only provisions usually found in such franchise agreements;

(iii) agreement dated January 3, 1962 between A C Automatic Services, Inc., a Delaware corporation, and the Company in which the Company is granted the franchise right for the period of three years to act as distributor in the sale of cigarette machines, drink machines, food vending machines, apparatus and equipment and parts and accessories therefor to all persons in Canada other than companies affiliated with Automatic Canteen Company of Canada Limited. The said agreement contains only provisions usually found in such franchise agreements.

(iv) Lease dated January 1, 1961 by R. C. Gilchrist, Sr., to the Company covering a portion of the premises at 33 Dundas Street West, Toronto, Ontario, used as offices and warehouse for a term of five years, expiring on December 31, 1965, at a rental of \$1,000 per month payable in advance on the 1st day of each month plus taxes, public utility charges and the like.

Copies of the above mentioned contracts may be inspected during ordinary business hours on any business day during the period of primary distribution of the securities offered by this prospectus at the head office of the Company, 33 Dundas Street West, Toronto, Ontario.

(zb) Save as set forth in paragraphs (u) and (v) hereof, no director of the Company or firm of which a director is a partner has any interest in the promotion of or in any property acquired by the Company within the two years preceding the date hereof or has any interest in any property proposed to be acquired by the Company.

(zc) The Company has been carrying on business for more than three years and has not acquired and does not propose to acquire at this time, either by direct acquisition or indirectly by ownership of shares or otherwise, a business that has been carried on for less than three years other than Gilchrist Vending (Quebec) Limited which commenced business on July 1, 1959.

(zd) As of the date hereof, R. C. Gilchrist, Sr., R. C. Gilchrist, Jr., E. J. Gauvreau and Maurice A. Cardinal, whose addresses are set forth in paragraphs (u) and (v) hereof by reason of beneficial ownership of securities of the Company and by virtue of an agreement in writing with the Underwriter may be in a position to elect or cause to be elected a majority of the directors of the Company.

(ze) By an agreement dated March 29, 1962 made between R. C. Gilchrist, Sr., R. C. Gilchrist, Jr., E. J. Gauvreau and Maurice A. Cardinal (herein called the "Vendors") and Chartered Trust Company, as Trustee, the Vendors have agreed to deposit with Chartered Trust Company, as Trustee, in escrow, 39,000 out of the 50,000 shares issued to acquire the shares of the Ontario and Quebec subsidiary companies on condition that none of the said shares shall be released prior to September 29, 1962, at which time one-third thereof shall be released; none of the balance to be released prior to December 29, 1962 at which time a further one-third of said shares shall be released and none of the balance of said shares to be released prior to March 29, 1962 at which time all of the said shares shall be released. In addition the said agreement provides that no shares acquired by the Vendors pursuant to the provisions of the option mentioned in paragraph (I) hereof shall be sold prior to September 29, 1962.

Except as aforesaid no securities of the Company are to the knowledge of the Company held in escrow.

(zf) During the five calendar years preceding the date of this prospectus, the following dividends have been paid by the Company on its common shares:

<u>Calendar Year</u>	<u>Amount per share</u>	<u>Aggregate</u>
1957	\$25.00 per share	\$25,000
1960	\$ 8.00 per share	\$ 8,000

(zg) The Company is the defendant in an action in the Supreme Court of British Columbia, No. 1781/61, between Frank Dey, Plaintiff, and R. C. Gilchrist (Vancouver) Limited, Gilchrist Music Systems (Vancouver) Limited, R. C. Gilchrist, E. J. Gauvreau and the Company, Defendants, in which Mr. Dey claims, among other things, that the defendants conspired together with intent to injure the plaintiff and to destroy the value of the Plaintiff's 31% ownership of the common shares of R. C. Gilchrist (Vancouver) Limited and Gilchrist Music Systems (Vancouver) Limited. Counsel for the Company in British Columbia have advised the Company's solicitors that, in their opinion, the action is a purely frivolous one but it is nevertheless one which is pending and will have to be disposed of in due course.

The Company has recently settled an action commenced by the Bank of Montreal in respect of a guarantee by the Company to the Bank of the liabilities of R. C. Gilchrist (Vancouver) Limited and Gilchrist Music Systems (Vancouver) Limited, which settlement involved payment of the sum of \$39,250.12.

There are no other material facts not disclosed by the foregoing.

DATED the 29th day of March, 1962.



The foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario), and there is no further material information applicable other than in the financial statements or reports where required.

#### **Directors**

(Signed) R. C. GILCHRIST

(Signed) E. J. GAUVREAU

(Signed) MAURICE ALFRED CARDINAL

(Signed) R. J. OPEKAR

By his attorney R. C. Gilchrist

(Signed) E. G. ARNOLD

To the best of our knowledge, information and belief the foregoing constitutes full, true and plain disclosure of all material facts in respect of the offering of securities referred to above as required by Section 39 of The Securities Act (Ontario) and there is no further material information applicable other than in the financial statements or reports where required. In respect of matters which are not within our knowledge we have relied upon the accuracy and adequacy of the foregoing.

#### **Underwriter:**

R. J. OPEKAR LIMITED

(Signed) by R. J. OPEKAR

The following are the names of every person having an interest, either directly or indirectly, to the extent of not less than five per centum (5%) in the capital stock of R. J. Opekar Limited: R. J. Opekar.



# GILCHRIST VENDING LIMITED

76 DENSLEY AVE., TORONTO 15, ONTARIO • TELEPHONE: 763-5216

THE INDUSTRY'S MOST COMPLETE LINE OF AUTOMATIC VENDING AND MUSIC EQUIPMENT

AR35

October 5th, 1965

The Globe & Mail  
140 King Street West  
Toronto 1A, Ontario

*Mr. Egan*

Attention: Financial Editor

Dear Sirs:

I am pleased to announce that our Company has been granted a listing on the Canadian Stock Exchange. In order that you may advise your readers, I am enclosing a news release and a copy of our latest Financial Statement.

I feel certain that a Company progressing, as ours is, in the fast expanding field of vending will be of interest to your readers, and I trust you will find the attached information of use to you.

Yours truly,  
GILCHRIST VENDING LIMITED

*E. J. Gauvreau*

E. J. Gauvreau  
President

EJG/rbr

EXCLUSIVE CANADIAN DISTRIBUTOR

**Rowe**  
**AMi**







## GILCHRIST VENDING LIMITED LISTED BY CANADIAN STOCK EXCHANGE

Gilchrist Vending Limited is pleased to announce the listing of its shares on the Canadian Stock Exchange effective                      day of October, 1965.

The fiscal year just concluded was one of continued development of the Company and an increase of its profits. Sales increased by 36.8% over the previous year to \$3,358,131.03 with earnings of 95¢ per share against 26¢ earnings per share the previous year. The 95¢ per share earnings compares most favourably with the 1962 operation which resulted in a 10¢ per share loss. During the year, the Company's working capital increased by \$146,179.44 -- a percentage increase of 41.9%.

In order to keep pace with the vending industry's expansion of 156% over the past five years, according to the latest Dominion Bureau of Statistics release, the Company opened branches in Edmonton, Alberta and Winnipeg, Manitoba.

The Company feels confident in its continued growth in keeping with the total Canadian industrial expansion to which the Company's products and services are so essential. Management is aware of the changing potentials and is ever alert to new products and marketing concepts. The first three months of operation to September 30th, 1965, shows a substantial increase over the corresponding period last year. Here are the comparisons for the years 1962-1963, 1963-1964, and 1964-1965:-

	<u>June 30, 1963</u>	<u>June 30, 1964</u>	<u>June 30, 1965</u>
Gross Sales. . . . .	\$2,511,776.31	\$2,455,569.34	\$3,358,131.03
Profit (loss). . . . .	(\$19,286.93)	\$51,069.44	\$191,096.35
Retained Earnings. .	\$87,033.60	\$118,779.89	\$299,056.96
Earnings Per Share .	(\$0.10)	\$0.26	\$0.95







March 29th/62

FOR RELEASE Monday April 2/62

chris yaneff limited 119 isabella street toronto 5 ontario . 924-6678

AR35

GILCHRIST VENDING SEES \$3,000,000  
SALES IN 1962 THROUGH ACQUISITION  
OF U.S. EQUIPMENT FRANCHISES

Expects to capture 65% of Canadian market this year with wide  
line of machines now being made in Canada

R.C.Gilchrist, Sr., board chairman of Gilchrist Vending Ltd.,  
Toronto, announces that his company has acquired franchises from  
Automatic Canteen Co. of America which gives it sole Canadian  
distribution rights to a large diversified line of automatic vending  
equipment and coin-operated music machines.

The vending equipment will be manufactured in Canada by A.V.Roe  
under license from the U.S. firm, and will be sold by Gilchrist Vending  
to independent operating companies, of which there are approximately  
200 in Canada. Automatic Canteen Co. of America is reputedly the  
world's largest manufacturer, distributor and operator of vending  
equipment, and reported consolidated sales last year of more than  
\$190 million for its worldwide operations.

A.V. Roe expects to be in full production of the machines,  
known as Rowe AMI equipment, by the end of the year, at which time  
it will have some 150 employees in a 120,000 sq. ft. area allocated  
to this division.

Mr. Gilchrist said his company's improved competitive position,  
now that the equipment is being produced domestically rather than  
imported, should see sales jump to \$3,000,000 in 1962 from an average  
of \$1.5 million in recent years.

Gilchrist Vending is already the largest distributor of automatic  
vending machines in Canada, having accounted for approximately 40% of  
Canadian vending equipment sales in 1961, and this share of the market  
will increase to 65% this year, he stated.

advertising agency public relations design counsel

Y

file

MAR 30 1962

every machine  
all purpose  
but food  
cigarette  
and drink

see  
yes







### Many New Applications

The era when the use of vending machines was limited to sale of cigarettes, candies and cold drinks has now passed into history, according to Mr. Gilchrist, who has been in the business for a quarter of a century.

The trend today is to "full-line" vending--multiple installations of machines which dispense a wide variety of consumer merchandise such as hot foods, soups, sandwiches, pastries, nuts, ice cream, ladies' lingerie and stockings, ball-point pens, etc.

This is the area in which Gilchrist Vending sees its greatest sales potential, as it states it is the only company in Canada which offers a full line of automatic vending equipment of uniform manufacture, size and style, so that any number of machines may be used in a variety of combinations as well as individually.

Most versatile of the machines in this line, known as the Celebrity series, is an all purpose merchandiser with a capacity of 130 items. Models are available which keep food heated, refrigerated or at normal temperature, and units can be switched from a heated to a refrigerated state by simply pushing a button.

In keeping with a trend to machines which dispense fresh brew coffee instead of the usual instant variety, Gilchrist Vending offers a fresh brew coffee merchandiser (750-cup capacity) which can equally handle whipped hot chocolate, tea or soup. Another hot food merchandiser has a capacity of 160 cans and a preheated storage reserve of 120 cans.

Cigarette merchandisers which can accomodate the new longer cigarettes; music systems which offer a choice of "basic", "mood" or "industrial" music libraries, and a unique dollar bill changer which has already proved successful in American banks and savings and loans associations--all are part of the Gilchrist Vending arsenal





geared to profit from the swelling automated selling wave in business and industry.

#### Reasons for Growth

Mr. Gilchrist cited convenience, efficient use of space, reduced wage costs and ease of service and control as the main reasons for the rapidly expanding use of vending equipment, coupled with the growth of in-plant feeding and construction of large numbers of bowling alleys, curling rinks and similar establishments.

"The use of one or more of our machines requires a concentration of at least 100 people in an office building or plant before the installation becomes feasible, although smaller units holding 10 items can be adapted to special conditions," he said.

A recent development in the industry that could become increasingly important is the introduction of Countervend service, which combines automatic vending of packaged hot and cold foods items with manual service for non-vendable dishes. This combination provides an ideal service in the industrial and institutional feeding field, Mr. Gilchrist said.

Gilchrist Vending began its corporate life in 1947 as Baldwin Distributing Co. Ltd., with Mr. Gilchrist as one of its earliest employees.

When he decided in 1951 to leave the firm because he was underpaid, his boss countered with an offer to sell him the business. Mr. Gilchrist accepted (with the aid of a lawyer friend who lent him the \$5,000 down payment) and has piloted the company ever since, subsequently opening branches in Montreal and Vancouver.

#### Offer Shares

The Toronto Underwriting firm of R.J.Opekar Ltd., 44 King St.W., is currently offering 100,000 Treasury shares of Gilchrist Vending Ltd. through registered security dealers at \$5.85 each.













## A MESSAGE TO OUR SHAREHOLDERS

Our fiscal year which ended June 30, 1966, was one of continued development and of significant accomplishments.

You will note that our gross sales increased by \$454,008 to \$3,812,139 or 13.5% over fiscal 1965. Working capital increased by \$291,172 and retained earnings increased by \$129,717 (after payment of the dividend in the amount of \$20,420). Net profit before income taxes was \$255,735 — an increase of \$56,439 or 28.3% over the previous year. However, earnings per share decreased by 13 cents per share due to a substantial—\$80,800—increase in our provision for income taxes. The increase provision arose because we are now in the position of having used up substantially all the losses sustained in prior years.

The 1966 fiscal year contained a number of significant events for GVL and we are hopeful that this trend will continue.

On October 7, 1965, our shares were listed on the Canadian Stock Exchange. Our ticker abbreviation "GVL" will be found under the Exchange's Industrial classification.

During the year your directors declared their intention, subject to the factors considered at the time of the declaration of dividends, of paying dividends on a quarterly basis and the first quarterly dividend — in the amount of 10 cents per share — was paid on September 15, 1966, to shareholders of record on July 15, 1966. This dividend represents a tangible acknowledgement of your confidence in our Company.

During the year we added new product lines which we believe will enable us to broaden the scope of our business and enable us to serve our customers better. Included in the new lines are

the LaCrosse can and bottle vendors and we look forward to a prosperous relationship with that Company. GVL is constantly looking for new acquisitions in order to diversify and expand for the continued growth of your Company.

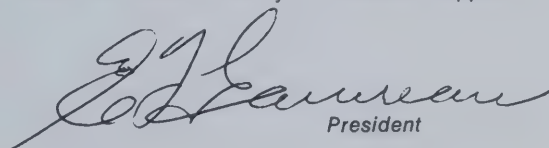
The present directors of your Company who have been active in its management since 1963 are gratified with the results obtained in the 1964, 1965 and 1966 fiscal years. Elsewhere in this report you will find a comparative summary of the results of these three years.

It is your management's opinion that, in view of the growth of our Company's business, it is advisable to increase the number of directors from five to seven and a resolution to this effect will be presented for approval at the annual meeting to be held in October. It is our hope that you will be able to attend.

In spite of current economic trends and the tight money situation, we look forward to continued prosperity for your Company in the future. You will read elsewhere in this report that A.G.E. 1967 Inc., a Company to be owned by your Company and Allfood Services Limited, has recently been awarded a contract to supply a major portion of the automatic vending equipment to be employed at the 1967 World Fair. This is indicative of the unqualified acceptance which our products enjoy.

In addition, we continue to enjoy the support of our employees, which, during 1966, has been outstanding. I would like to acknowledge and thank them for their efforts and extend to each of them my sincere appreciation.

To our shareholders, may I say that we value the confidence you have shown in us and that we will strive to merit your continued support.

  
President



# GVL GILCHRIST VENDING LIMITED AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEET AS AT JUNE 30, 1966

(With comparative figures for 1965)

### ASSETS

CURRENT	1966	1965
Cash	\$ 50,631	\$ 70,537
Accounts receivable, less allowance for doubtful accounts of \$29,063 (1965 — \$43,035)	739,661	729,503
Inventories, valued at the lower of cost or market	974,135	707,526
Prepaid expenses and advances	19,084	17,673
	<u>\$1,783,511</u>	<u>\$1,525,239</u>
 SPECIAL REFUNDABLE TAX	 \$ 1,218	 \$ —
 FIXED, at cost		
Land	\$ 24,220	\$ 24,220
Buildings	136,361	124,080
Equipment on location	316,084	677,826
Plant equipment and furniture	132,910	118,374
Automobiles and trucks	38,739	34,503
	<u>\$ 648,314</u>	<u>\$ 979,003</u>
Less — Accumulated depreciation	276,434	383,799
	<u>\$ 371,880</u>	<u>\$ 595,204</u>
 OTHER		
Leasehold improvements, less amortization	\$ 5,913	\$ 6,746
Organization and financing expenses	—	16,598
Deferred finance charges	—	2,815
	<u>\$ 5,913</u>	<u>\$ 26,159</u>
	<u>\$2,162,522</u>	<u>\$2,146,602</u>

JOHNSON, STEWART, BOURNE & CO., *Chartered Accountants*

*To the Shareholders of*

### GILCHRIST VENDING LIMITED:

We have examined the consolidated balance sheet of Gilchrist Vending Limited and Subsidiaries as at June 30, 1966 and the consolidated statements of income and retained earnings for the year ended on that date. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

## LIABILITIES

CURRENT	1966	1965
Bank loan — secured	\$ 195,000	\$ 225,000
Accounts payable and accrued liabilities	689,982	685,194
Current portion of long-term debt	6,833	113,617
Dividend payable	20,420	—
Corporation income taxes payable	84,724	6,046
	<u>\$ 996,959</u>	<u>\$1,029,857</u>
<b>LONG-TERM DEBT</b> (note 1)	<u>\$ 76,420</u>	<u>\$ 275,353</u>
Less — Amounts due within one year, included in current liabilities	6,833	113,617
	<u>\$ 69,587</u>	<u>\$ 161,736</u>
<b>TOTAL LIABILITIES</b>	<u>\$1,066,546</u>	<u>\$1,191,593</u>

## SHAREHOLDERS' EQUITY

<b>CAPITAL STOCK</b> (note 2)		
<b>Authorized</b>		
500,000 Common shares, without par value		
<b>Issued and Fully Paid</b>		
204,200 Common shares (1965 — 200,450 shares)	\$ 667,202	\$ 655,952
<b>RETAINED EARNINGS</b>	428,774	299,057
	<u>\$1,095,976</u>	<u>\$ 955,009</u>
	<u>\$2,162,522</u>	<u>\$2,146,602</u>

APPROVED ON BEHALF OF THE BOARD:

E. J. GAUVREAU, *Director*

M. A. CARDINAL, *Director*

In our opinion the above consolidated balance sheet and consolidated statements of income and retained earnings present fairly the financial position of the Company as at June 30, 1966 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Our examination also included the accompanying consolidated statement of source and application of funds which, in our opinion, when considered in relation to the aforementioned financial statements, presents fairly the source and application of funds for the year ended June 30, 1966.

Toronto, Ontario,  
September 6, 1966.

JOHNSON, STEWART, BOURNE & CO.  
*Chartered Accountants*





## CONSOLIDATED STATEMENT OF INCOME

*for the year ended June 30, 1966*

(With comparative figures for 1965)

	1966	1965
<b>GROSS REVENUE</b>	\$3,812,139	\$3,358,131
<b>COST OF GOODS SOLD</b>	2,691,685	2,311,884
<b>GROSS PROFIT</b> (including profit on disposal of routes of \$69,643)	\$1,120,454	\$1,046,247
<b>EXPENSES</b> (see note below)	864,719	852,036
<b>INCOME BEFORE FINANCE PARTICIPATIONS</b>	\$ 255,735	\$ 194,211
Finance participations	—	5,085
<b>INCOME BEFORE PROVISION FOR INCOME TAXES</b>	\$ 255,735	\$ 199,296
Provision for income taxes (note 3)	81,000	8,200
<b>NET INCOME FOR THE YEAR</b>	\$ 166,735	\$ 191,096

Depreciation and amortization	\$ 62,298	\$ 90,378
Interest on long-term debt	6,021	31,177
Loss on disposal of fixed assets	1,811	1,921
Management salaries paid to directors as officers of the Company	64,000	43,000

### GROSS SALES

1966	\$3,812,139
1965	\$3,358,131

### PROFIT BEFORE TAXES

1966	\$255,735
1965	\$199,296



## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

*for the year ended June 30, 1966*

(With comparative figures for 1965)

	1966	1965
<b>BALANCE</b> — BEGINNING OF YEAR	\$299,057	\$118,780
ADD — Net income for the year	166,735	191,096
	<u>\$465,792</u>	<u>\$309,876</u>
DEDUCT — Organization and financing expense	\$ 16,598	\$ 1,257
Goodwill written off	—	9,562
Dividend	20,420	—
	<u>\$ 37,018</u>	<u>\$ 10,819</u>
<b>BALANCE</b> — END OF YEAR	<u>\$428,774</u>	<u>\$299,057</u>

### SHAREHOLDERS' EQUITY

1966	\$1,095,976
1965	\$955,009

### WORKING CAPITAL

1966	\$786,552
1965	\$495,382





## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS *for the year ended June 30, 1966*

### NOTE 1: Long-Term Debt

#### Mortgages

First mortgage, Toronto property, 7¾%, due December 31, 1967	\$64,943
First mortgage, Vancouver property, 8%, due February 1, 1970	4,618
Second mortgage, Vancouver property, 7%, repayable in monthly instalments of \$173.40 including interest	6,859
	<u>\$76,420</u>

There are no past due instalments on the above long-term debts.

### NOTE 2:

The Company has reserved 20,000 of its unissued common shares for a Key Employees' Stock Option Plan. Since commencement of the plan, December 20, 1963, options to purchase 15,750 shares have been granted to certain officers and employees exercisable as follows:

Year 1964 up to	20% of the option at \$2.50 per share
Year 1965 up to	40% of the option at \$3.00 per share
Year 1966 up to	60% of the option at \$3.50 per share
Year 1967 up to	80% of the option at \$4.00 per share
Year 1968 up to	100% of the option at \$4.50 per share

Pursuant to the Key Employees' Stock Option Plan, 4,200 common shares have been issued of which 3,750 common shares were issued during the year, for a cash consideration of \$11,250.

The Company has also granted certain options to purchase 50,000 shares at \$5.70 per share, exercisable until March 15, 1967. At June 30, 1966, no portion of these options had been exercised.

### NOTE 3:

The application of prior years' losses against the current year's taxable income has eliminated \$13,300 income taxes otherwise payable for the current year. In addition it is the company's intention to claim for tax purposes capital cost allowances in excess of the depreciation recorded in the accounts during the year resulting in a further decrease in the provision for income taxes of approximately \$23,000. The accumulated depreciation recorded in the accounts is now approximately \$26,000 greater than the total capital cost allowances claimed for tax purposes.

### NOTE 4:

The Company is contingently liable on customers' notes under discount amounting to approximately \$1,855,000 against which the finance companies are holding back approximately \$106,000 in finance participations.

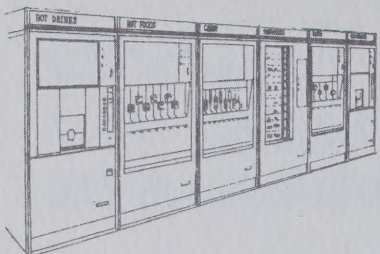


## CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS — *for the year ended June 30, 1966*

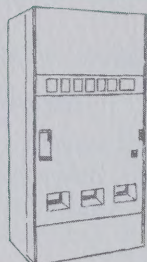
(With comparative figures for 1965)

	1966	1965
<b>SOURCE OF FUNDS</b>		
<b>Operations for the year</b>		
Net income	\$166,735	\$191,096
<b>NON-CASH EXPENSES</b>		
Depreciation and amortization	62,298	90,379
Amortization of deferred finance charges	2,815	6,087
	<u>\$231,848</u>	<u>\$287,562</u>
Issue of common stock	11,250	1,125
Reduction of notes receivable	—	72,627
Net proceeds from disposal of equipment on routes, less profit included in net income	<u>198,889</u>	<u>—</u>
	<u>\$441,987</u>	<u>\$361,314</u>
 <b>APPLICATION OF FUNDS</b>		
Special refundable tax	\$ 1,218	\$ —
Purchase of fixed assets	37,029	142,790
Reduction of long-term debt	92,148	59,158
Reduction of deferred revenue	—	13,186
Dividend payable	20,420	—
	<u>\$150,815</u>	<u>\$215,134</u>
 <b>INCREASE IN WORKING CAPITAL</b>	<u>\$291,172</u>	<u>\$146,180</u>

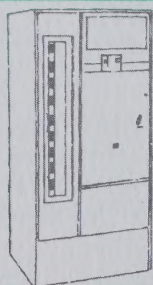




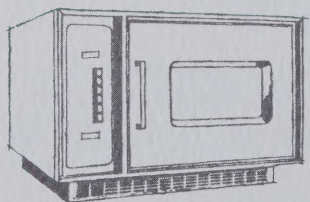
GVL has the most complete line of vending equipment available in Canada, through the exclusive distributorship of Rowe Manufacturing. A major portion of this equipment is produced in Canada exclusively for GVL. We are able to supply equipment for vending hot and cold drinks, ice cream, milk, candy, and cigarettes, with modern and dependable products.



We obtained an exclusive Canadian distributorship on LaCrosse can and bottle vendors during fiscal 1966. The can vendor, shown here, will enable GVL to service an area of considerable growth in Canada. The outlook in can vending is promising, and GVL will have the products available to participate in this growth.



The LaCrosse bottle vendor will enable us to better serve the bottlers in the Canadian market. This machine compliments the can vendor. These products have had excellent reception, and should prove beneficial to our Company



The Litton Microwave Oven is an addition to our product line which gives GVL great advantages in sales of products from our vending equipment. The Microwave oven is a new innovation which heats food by molecular friction in seconds. The addition of this product strengthens our position to offer our customers the most complete line of vending equipment available in Canada.

## GVL/1967 World Fair

GVL is pleased to announce its participation in Canada's 100th Birthday with the awarding of a contract to supply 64% of the vending equipment to be used at the 1967 World Fair in Montreal.

*Be sure to visit the World Fair and see our equipment in operation.*





# HIGHLIGHTS

## COMPARATIVE SUMMARY FOR THREE YEARS

	YEARS ENDED JUNE 30		
	1966	1965	1964
<b>INCOME</b>			
Gross revenue	\$3,812,139	\$3,358,131	\$2,455,569
Income before provision for taxes	255,735	199,296	54,496
Provision for taxes on income	89,000	8,200	3,427
Net income	166,735	191,096	51,069
Percent of net income to gross revenue	4.4%	5.7%	2.1%
Earnings per share	.82	.95	.26

### BALANCE SHEET ITEMS

Working capital (current assets less current liabilities)	\$ 786,552	\$ 495,382	\$ 349,202
Current ratio	1.8	1.5	1.5
Long term debt	69,587	161,736	220,894
Shareholders' equity	1,095,976	955,009	773,607
Number of shares outstanding	204,200	200,450	200,000

